

ANNUAL REPORT 2011

PACIFIC NATIONAL EXHIBITION





3 Message from the
Chair of the Board of Directors
and the President and
Chief Executive Officer

4 Salute to Staff

5 Overview

6 At the Heart of the Community

7 The Future of Hastings Park:
Master Planning Process

8 **2011 Results: The First Year
of a New Century at the PNE**

8 Playland

10 Fright Nights

12 The Fair at the PNE

14 PNE Prize Home Lottery

15 Year-Round Events

19 Park and Facility Maintenance

20 Commitment to Sustainability

22 Celebrating Team and Success

24 Community Investments

25 Looking Ahead

27 Financial Reports

29 Report of Management's
Responsibility for Financial
Statements

30 Corporate Governance

31 Auditors' Report

32 Statement of Financial
Position

33 Statement of Operations
and Changes in Net Assets

34 Statement of Cash Flows

35 Notes to Financial Statements



Message from the Chair of the Board of Directors and the President and Chief Executive Officer

This year launched the PNE into its next century of operation and, in its 101st year, the PNE's future remains very bright. Although difficult to follow the celebratory nature of 2010, having helped host the Olympic Winter Games and having celebrated the PNE's 100th Anniversary, 2011 was a very full and successful year on all fronts.

Our newest thrill ride, ATMOSFEAR, opened in Playland on July 16 to rave reviews from guests. The addition of this ride propelled strong attendance and revenues throughout the season. As a result, Playland's attendance, total revenues and net contribution all surpassed 2010 levels. Similarly, ATMOSFEAR added a great new element to Fright Nights, our signature Halloween event held in Playland the last two weeks of October. The new ride combined with good fall weather allowed Fright Nights to exceed attendance projections and surpass 2010 financial results by achieving record-level revenues and net contribution in 2011.

The Fair presented many highlights, including a free day for the community and the offer to all kids aged 13 and under to come to the Fair for free, as many times as they liked. New entertainment was introduced and included nightly concerts from stars like Donny Osmond, Kenny Rogers, Wilson Phillips and Chris Isaak. More than 803,500 guests attended the 2011 Fair. While this was down slightly from 2010, this was to be expected in a year following the grandeur of our 100th Anniversary celebrations. Gross revenues were also down as a result but remained strong and provided a positive net contribution that was 10% higher than that achieved in 2010. This speaks to the PNE's careful and committed fiscal management throughout 2011.

The North American recession continued to impact aspects of the PNE business, but the diverse nature of our event mix allowed the PNE to weather the slower-than-anticipated economic recovery. Facilities that had been in use by the Vancouver Organizing Committee leading up to the 2010 Olympic Winter Games became available again in 2011 and allowed for a diverse and full year-round event portfolio.

To start, the PNE welcomed the Vancouver Whitecaps FC to Empire for the launch of their inaugural MLS season and we hosted the club's first six games including an "International Friendly" match vs. Manchester City FC.

The PNE also welcomed the BC Lions back to Empire for the first six games of their 2011 season. After both teams returned to the newly renovated BC Place and the stadium was dismantled, the fields were turned over to the City of Vancouver for conversion back to community sports fields in accordance with the Hastings Park Master Plan.

In other year-round activity, our 2011 concert business increased by 60% based on both the number of shows and total guests attending music events. We continued to host all our traditional guest favourites such as the Vancouver Giants hockey season, Disney on Ice and a variety of cultural shows. Consumer and trade show activity was higher in 2011, as were the number of film days on-site. This positive event picture resulted in both revenues and net contribution exceeding 2010 levels for the year-round events portfolio. Overall, the PNE exceeded total budget expectations and achieved a net contribution of \$1.0 million. This positive net income helps to keep the organization financially healthy and allows for ongoing investments into facility and park maintenance annually. In 2011, the PNE invested \$3.04 million into the maintenance and operations of Hastings Park.

Finally, the PNE would like to thank the hard-working PNE staff and Board of Directors for their ongoing support and contributions to the organization. We all look forward to continuing to work with the City of Vancouver on the implementation of the Hastings Park Master Plan and on our commitment to environmental sustainability and legacy of providing world-class family entertainment that encourages use of a vibrant urban public park.



Raymond Louie
Chair, Board of Directors



Michael McDaniel
President and
Chief Executive Officer



The Pacific National Exhibition

Laughing kids, smiling faces, historic moments, generations of special memories and events that bring a diverse community together to celebrate... that is the heart and soul of the PNE story. The PNE's mission is to do this in a way that continues to enrich the quality of life at Hastings Park by providing a wide range of family entertainment and events that invite guests out to celebrate Vancouver's heritage, culture and diverse communities within the vibrant, urban and public Hastings Park.

The fabric of Hastings Park and the PNE has been stitched together for 101 years of existence. The story of one does not exist without the story of the other.



Salute to Staff

When you think of the PNE, so many great things come to mind. Its rich history, its tenacity and flexibility, its creativity and scope, the memories it has created and the impact it has had on generations. But what brews behind the scenes to make this a truly great institution ... is its staff. For 100 years, more than 160,000 people have worked on these grounds, given their best and made the PNE the organization it is today.

The PNE story is as much about its staff as it is about its events and guests. There are so many stories we will never hear about publicly. For many people who worked here, the PNE was their first job. Some have spent more than 30 years here, some can claim 40 years or more. These are people who are passionate about the PNE; who work endless hours so that things are perfect for the Fair opening; who stay late into the night to make sure concerts and other public events are safe and fun.

Families were shaped here. In some cases, three generations in a family have worked at the PNE. In other cases, staff met, fell in love and went on to share their lives with the PNE. People come here each day, contribute ideas and make things happen. This is what makes the PNE a winner—its people and their passion. They have all been touched in some way by what happens here, and the PNE has been touched by them.

Excerpt from 100 Years of Fun



Overview

The Pacific National Exhibition (PNE) has been at the heart of Hastings Park and the Hastings Sunrise community for 101 years. Operating 115 acres of Hastings Park, the PNE has four activity streams. The largest and most well-known aspect of our business is the PNE Fair, that iconic 17 days each summer that draw more than 900,000 guests from across British Columbia to be entertained and experience a range of foods, rides and exhibits. The PNE's second activity stream is Playland amusement park. Playland is open April through October each year and entertains more than 375,000 guests (outside of Fair-time) with games, food and 35-plus rides and attractions. A less well-known activity stream is the year-round events portfolio. This includes the use of all the facilities on-site to host concerts, sporting events, festivals, cultural and community events. The fourth activity stream is facility and park maintenance. The PNE is solely responsible for the care and upkeep of indoor facilities such as the Pacific Coliseum, Forum, Agrodome, Rollerland, the livestock building and Garden Auditorium. The PNE also ensures outdoor spaces including the Sanctuary, Italian Gardens, Momiji Garden, centre grounds and all outdoor spaces within the 115-acre border blossom and thrive.

There are a few things about the PNE that are not commonly known:

- The PNE is a non-profit registered charity and, as a financially viable non-profit, all profits are invested back into the site and its facilities.
- The organization is owned by the City of Vancouver.
- Hastings Park is a parcel of land held in trust for the City of Vancouver and is managed and operated by the PNE on behalf of the city.
- The PNE manages Hastings Park, with the exceptions of the Race Track, which is operated by Great Canadian Casinos, and Empire Field and the skateboard park, which are under the care of the Vancouver Park Board.
- Company executives report to a Board of Directors that includes business and community authorities, as well as elected officials and senior staff from the City of Vancouver and Vancouver Park Board.
- The PNE is the largest employer of youth in British Columbia, providing a range of much-needed first jobs and building essential skills for the next generation of workers and leaders.



At the Heart of the Community

The PNE has proudly been at the heart of the Hastings Park site since the organization was founded in 1910. The PNE continues to be the principal steward in maintaining the building facilities on-site as well as the public park. This includes maintaining the trees, statues, benches, park equipment, lawns and gardens throughout the year. Care of the facilities and grounds is a regularly budgeted expense, and each year the PNE invests approximately \$3 million to ensure that the park remains well taken care of for the community to enjoy year-round.

Hastings Park covers some 162 acres and includes a beautifully landscaped public park area. The PNE operates and manages approximately 115 acres of the site and has specially trained horticultural teams on staff to ensure that the public park—including the Italian Gardens, Momiji Garden and the Sanctuary—remain in their naturally intended states.

Within the park, the PNE supports community activities through maintenance of the grounds and facilities, providing community ice programs, a low-cost home for the CircusWest training school and venues for local non-profits to raise funds, while also hosting the largest ticketed entertainment event in BC, which brings hundreds of thousands of people together to celebrate summer.

Beyond the borders of the park, the PNE is committed to positively impacting the neighbourhood it has been part of for more than 100 years. The PNE partners with a variety of local schools, sport groups and non-profit organiza-

tions by providing a significant number of tickets to schools in the Hastings Sunrise area in support of their initiatives from fundraising to student leadership. The PNE also provides complimentary space and support for a variety of events coordinated by neighbourhood groups.

For the past 11 years, the PNE has been one of the biggest local supporters of The Hastings Community Little League (HCLL). For more than 50 years, the HCLL has provided thousands of children with the opportunity to be active while having fun and learning valuable skills such as teamwork. The PNE provides a complimentary Playland PlayPass to all players and provides the organization with fundraising

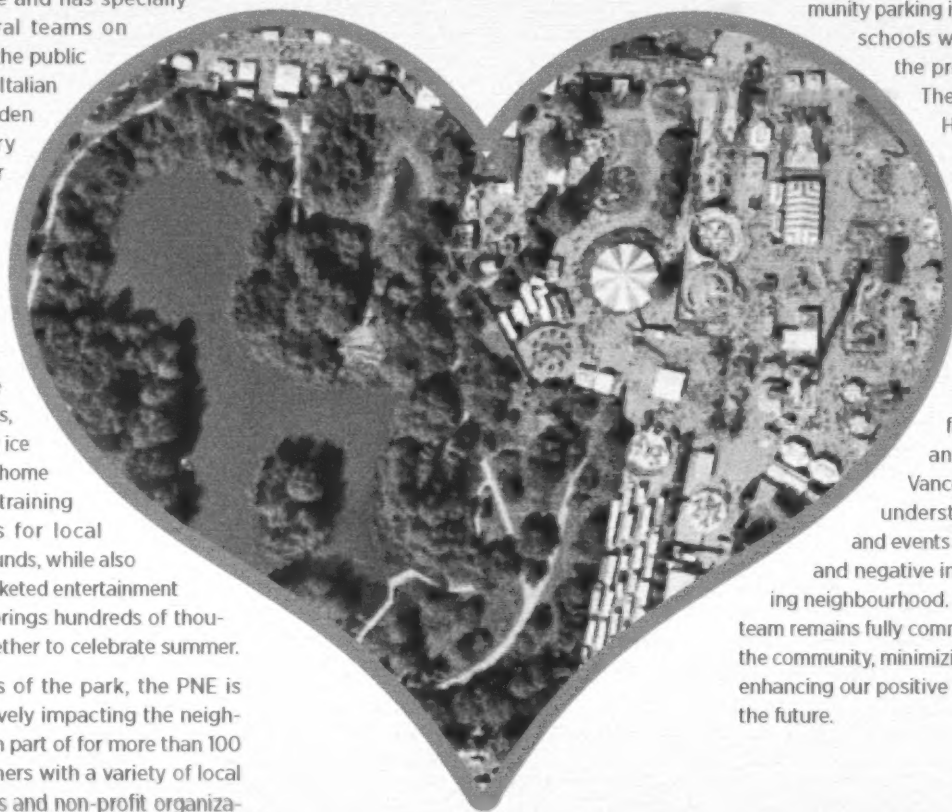
opportunities to help fund the organization and upgrades to the ball fields.

As well, every year at the end of September, the PNE hosts local Hastings Sunrise schools for the annual Terry Fox National School Run Day, hosted at Empire Field. The schools raise awareness and funds for the Terry Fox Foundation and run a course in the park to promote physical activity.

As part of its efforts to minimize the impact of its operations on the neighbourhood during large events, the PNE operates the Neighbourhood Clean-Up Crew and Neighbourhood Bike Patrol programs that help keep the residential areas clean and safe. The rental of local school parking lots during the Fair helps reduce community parking impacts and provides the schools with funding to support the programs of their choice.

The PNE has engaged the Hastings North Business Improvement Association in community spirit initiatives and provides neighbours with complimentary tickets to attend PNE events.

While the PNE receives unparalleled support from many neighbours and the vast majority of Vancouver residents, the PNE understands that celebrations and events may bring both positive and negative impacts to the surrounding neighbourhood. The PNE's management team remains fully committed to consulting with the community, minimizing negative impacts and enhancing our positive influences now and into the future.





The Future of Hastings Park: Master Planning Process

Since taking ownership of the PNE in January 2004, the City of Vancouver had been involved in a public consultation process to define the future of Hastings Park and the PNE. In December of 2010 a significant milestone was reached in this planning—Vancouver City Council adopted the Hastings Park/PNE Master Plan. The plan guides the long-range redevelopment of Hastings Park and the PNE.

Through this plan, Hastings Park will be transformed into a greener year-round destination with places for festivals, culture, sport and recreation, leisure and fun. The Plan provides for new and renewed facilities for the PNE with the amount of park space almost tripling from 27 to 76 acres. An expanded Playland will remain at the heart of Hastings Park. Softer landscapes and more space will allow Playland to expand and thrive as it continues thrilling families and kids of every age.

The revitalized Hastings Park will provide expanded green spaces with links to the city's green corridors, quiet blooming gardens, and pathways to and from corners of the site. Facilities will be redeveloped to provide increased access to celebrations, festivals, sport, music and family entertainment, as well as to facilitate the growth and evolution of the largest

event in BC, that beloved end-of-summer tradition, the Fair at the PNE.

The Master Plan is also an opportunity to significantly improve the sustainability and ecological performance of Hastings Park and the PNE, consistent with Vancouver City Council's Greenest City Action Team priorities. The Master Plan achieves the challenging balance of providing a significantly greener and more publicly accessible Hastings Park while renewing Vancouver's historic annual Fair and amusement park, and ensuring the PNE's economic vitality and long-term sustainability.

With the Hastings Park/PNE Master Plan now complete and approved, the focus of work is now on designing the initial park spaces in Hastings Park: Park Greenways, reinstating Empire Field, the Plateau Sports Park, Creekway Park and a connection to New Brighton Park. These initial park developments focus on community priorities: creating additional park space and improving access to Hastings Park.

More information on the Hastings Park/PNE Master Plan and future public consultation events can be found at www.vancouver.ca/pnepark.

2011 Results: The First Year of a New Century at the PNE

It is tough to follow a year like 2010, which included the Vancouver Olympic Winter Games, the PNE's 100th Anniversary celebrations and the opening of Empire, a new temporary stadium on-site. The PNE, however, shaped a fantastic year of events and celebrations that resulted in very positive financial performance and an event mix that helped meet and shape the experiences of our diverse communities. As expected, we have crossed the threshold into the next 100 years and into a very bright future here at Hastings Park. Following is a summary of qualitative and quantitative results across our four main activity streams throughout 2011.



Playland

In 2011, a big year for Playland, Vancouver's favourite amusement park was open from April 30 through October 31. The team worked diligently to open our first new thrill ride since 2005, a welcomed addition to the park's ride mix. On July 16, we welcomed crowds of enthusiastic riders to experience ATMOSFEAR for the first time. A thrill-seeker's dream, the ride takes guests up 218 feet, swinging them 360 degrees at 70 kilometres per hour. The response to the ride was phenomenal, with lineups from one to two hours long all season. Other 2011 highlights from Playland include:

- 308,995 guests over 97 operating days equated to a 6% increase in attendance over the 2010 season. This increase was as projected and can be attributed to the new ride, ATMOSFEAR (see Figure 1 for a six-year history).
- The children's ride, Choppers, was refurbished and experienced a 30% increase in ridership over the season.
- Total revenues for the season were \$11.95 million, exceeding budget by 2% for the year and 9% over 2010 (see Figure 2 for a six-year history).
- Net contribution also exceeded budget by 5.7% at \$3.81 million for 2011, an increase of 22% over 2010 (see Figure 3 for a six-year history).
- 27,076 guests attended educational program days such as Science of Fun and Amusement Park Physics. This is a 7% increase in program growth over 2010 and included the addition of a new program day, Amusement Park Biology.
- Playland hosted more than 20,022 guests and 55 companies at VIP corporate events. While the total number of guests was down slightly from 2010, the number of companies holding events increased by 5% (more companies are hosting smaller parties as the economic conditions continue to improve).
- An additional 91,234 guests attended Playland through the group sales program, resulting in over \$2.09 million in spending.



In summary, this was a very successful year in Playland. We saw how capital investment in the ride mix is a benefit to the park through visits as well as increased revenues and net contribution. As well, Fright Nights performed well, contributing to the overall success of the season.

Note: Fright Nights revenues are included in the Playland total although shown separately for comparative purposes (see page 11).

The future of Playland continues to shine brightly as planning starts for the park's expansion. Vancouver City Council's approval of the 25-year redevelopment plan for Hastings Park will see Playland continue to grow and be revitalized in the coming decade.

The response to the ride was phenomenal, with lineups from one to two hours long all season.

FIGURE 1: PLAYLAND ATTENDANCE

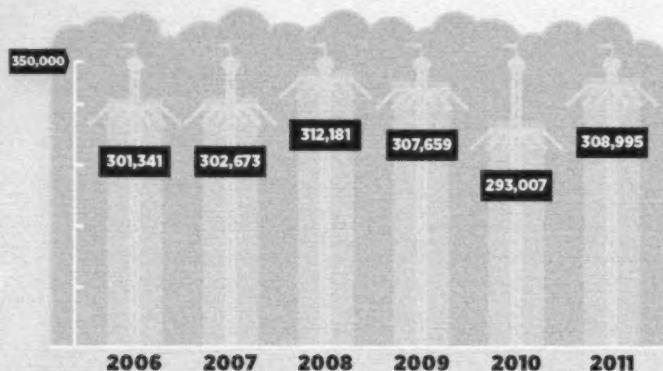


FIGURE 2: PLAYLAND GROSS REVENUE

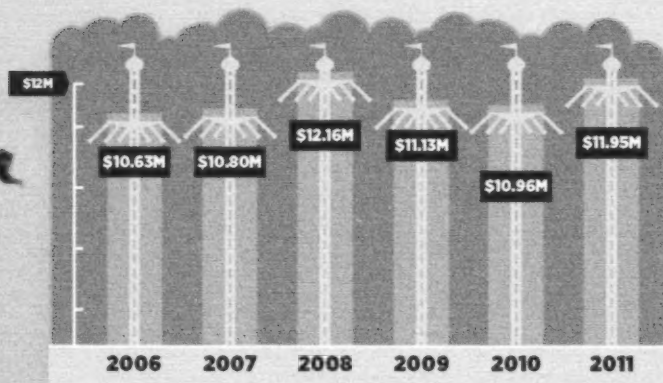
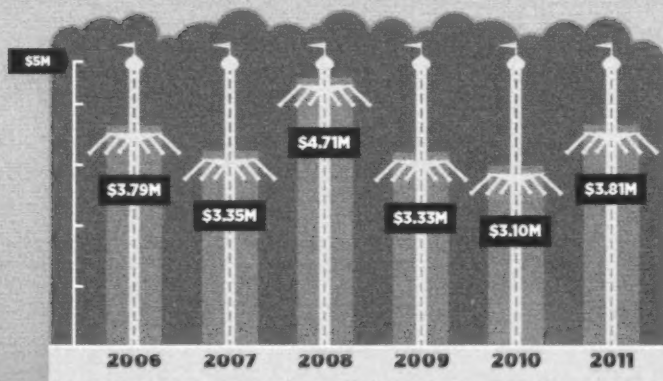


FIGURE 3: PLAYLAND NET CONTRIBUTION



The event exceeded expected attendance by 8%, making it Fright Nights' second-highest attendance ever. Although no new haunted houses were added, the opportunity to ride ATMOSFEAR in the dark was a big draw for guests...



Fright Nights

Playland's regular season closed on September 25 and for the next three weeks the park underwent a transformation into the haunted world of Fright Nights. Having now completed its ninth season, Fright Nights continues to grow in popularity as Vancouver's signature Halloween event. In 2011, 78,456 guests attended the event, exceeding expected attendance by 8%, making it Fright Nights' second-highest attendance ever (see Figure 4 for a six-year history). Although no new haunted houses were added, the opportunity to ride ATMOSFEAR in the dark was a big draw for guests, along with the event's creepy displays, spine-chilling shows, live actors and spectacular haunted houses. Fright Nights continues to make for a uniquely frightening experience—there really is nothing else like it.

In 2011, Fright Nights ran for 17 consecutive nights from October 15 to October 31. The highlights are as follows:

- Fright Nights achieved \$2.58 million in total revenues, the highest total revenue achieved since the event's inception, and an increase of 13% over 2010 (see Figure 5 for a six-year history).
- The event also contributed \$1.15 million in net income towards the Playland activity stream, an increase of 17% over Fright Night's net income in 2010 and the highest level of net income achieved in the event's nine-year run (see Figure 6 for a six-year history).
- Since ticket sales are date specific and fall weather is unpredictable, we saw a continuing trend of guests waiting to purchase tickets until the weather is known. This minimizes our ability to sell large quantities of tickets in advance but has not hampered the overall success of the event.

The PNE remains committed to investing in the quality of attractions, shows and roaming cast members in order to enhance the Fright Nights experience. In 2012, there are plans to add a new haunted house, bringing the total to six 2,400-square-foot houses on-site. Watch for a hair-raising new haunted house theme!



FIGURE 4: FRIGHT NIGHTS ATTENDANCE

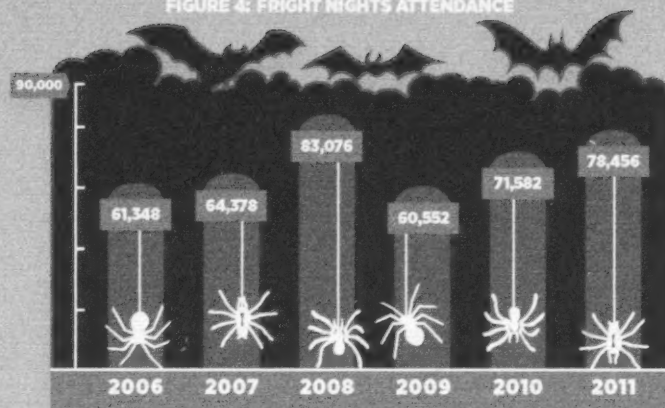


FIGURE 5: FRIGHT NIGHTS GROSS REVENUE

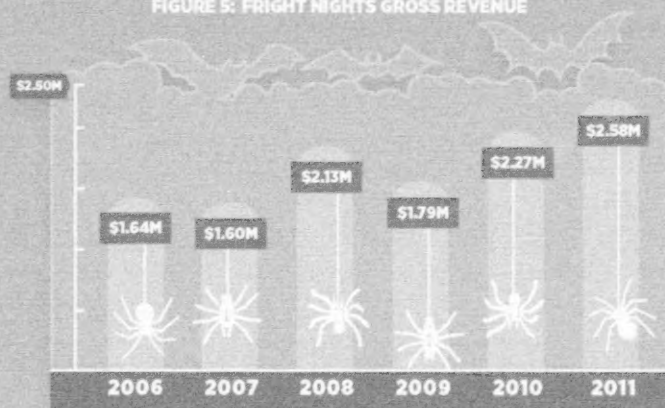
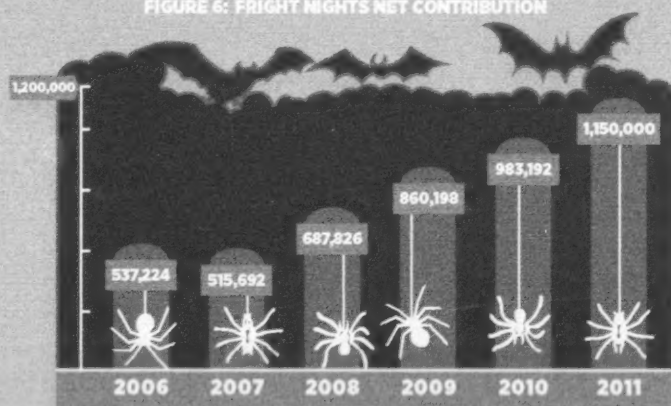


FIGURE 6: FRIGHT NIGHTS NET CONTRIBUTION





The Fair at the PNE

Even after 101 years, the Fair remains the largest ticketed celebration in BC and an end-of-summer tradition for people of all ages. Each year, it is the goal of the Fair to preserve a fine balance between new and traditional favourites. We weigh the must-haves of those iconic things like mini-donuts, thrilling rides, Dal Richards, the PNE Prize Home and Superdogs against adding new entertainment to keep the experience fresh, and making the Fair something guests simply can't miss. Here are the highlights:

- New entertainment included the introduction of Pop City, a nighttime pyro-musical spectacular designed to extend length of stay and keep guests on-site through the evening.
- Since the motorsport shows are always one of our guests' favourite shows, a new show was introduced, Evolution of Extreme, with motorcycle aerials, death-defying quad races and an all-new snow sled jump.
- To accommodate the overwhelming lineups to see the Peking Acrobats, they were moved into the largest venue on-site, the Pacific Coliseum.
- New atmospheric entertainment was added to keep things fresh, including a tap dance show called Taptastic as well as a roaming percussion group called DrumBeats; both shows were extremely well received.
- RibFest was a new introduction to the Fair and based on the text to vote volume, it was a great culinary competition. Lineups spanned Celebration Plaza at all times of the day to try the delicacies of five award-winning BBQ chefs.

- A new marquee lineup of kids programming was introduced into our Family Theatre venue (Garden Auditorium). Families lined up to see daily performances by Caillou, Toopy and Binoo, Max and Ruby, Care Bears, Disney's Shrek and others. Three shows a day kept kids screaming with delight.
- KC Bear's Summer Jam was a new dance show introduced to entertain younger children and provide daily interactive character experiences.
- Kidz Discovery Farm, an interactive farm-to-fork experience, was expanded to include new educational stations, such as the salmon farming exhibit.
- The annual 4-H festival ran for four days and saw 425 participants compete and win over 1,200 ribbons, 900 cash prizes and 350 champion rosettes.
- Ag in the City was a new exhibit introduced to highlight opportunities to become involved in agriculture in the city. This included backyard bees, backyard chickens, community gardens and composting displays.
- Hearts of the West, a trick-riding show, was introduced for the first time as part of the Pacific Spirit Horse Show.
- The most significant new entertainment announcement was the Summer Night Concert Series. Crowds gathered early in centre grounds each day to secure seats at the WestJet Concert Stage for great performances by artists such as Donny Osmond, Kenny Rogers, Wilson Phillips, Chris Isaak, Daryl Hall and John Oates, Air Supply, Kim Mitchell and Lea Salonga.

It is important to note that all this new entertainment (with the exception of RibFest), in addition to all the traditional favourites like Superdogs, is free with admission. This is a family entertainment value that simply cannot be surpassed. Other 2011 Fair highlights to note are as follows:

- One of the biggest changes for the 2011 Fair was the introduction of free admission for all children 13 and under. For more than 40 years, the PNE has had a tradition of providing free Fair tickets to all BC kids in grades 1 to 7 with their year-end report card. To make this program easier to administer and more environmentally sustainable, students can now attend the Fair as many times as they would like at no cost as long as they are with a paying adult 21 years of age or older.
- The PNE also maintained its tradition of providing a "free day" for the community to attend, with gate admission being free for all guests from 9 am until noon on Monday, August 22. Additional entertainment and a charity pancake breakfast were also added.
- Vancity member day, a sponsor activation, was held on Wednesday, August 24. On this date, anyone with a Vancity member card or Vancity Visa received admission for only \$5 for both themselves and a guest. Over 13,000 Vancity members attended the Fair that day.
- The Fair also continued its long-standing tradition of working with a number of charity partners to promote local causes. Free day at the Fair included a by-donation pancake breakfast in support of the Canada Safeway Foundation. Another event was the Canstruction exhibit, a partnership with the Greater Vancouver Food Bank Society to raise food and money donations to support its efforts in the local community. The Fair's annual agriculture auction raised more than \$35,750 for the BC Youth in Agriculture Foundation, and more than \$5,000 was raised on-site for The Vancouver Sun's Raise-a-Reader campaign during its August 27th activation.
- Overall, Fair attendance was 803,598, down from our 100th Anniversary celebration, which was to be expected. Gross revenues were strong at \$24.39 million and provided a positive net contribution of \$7.33 million. This net contribution was a 10% increase over 2010 (see Figures 7, 8 and 9 for a six-year attendance and financial history).

It is important to note that this year's Fair continued to achieve strong attendance, revenues and net contribution, despite this being the first year since 2008 that the PNE received no federal funding from the Marque Tourism Events Program (MTEP) program, which had provided additional support in the lead-up to and celebration of the PNE's 100th Anniversary. The PNE has always proudly been financially self-sufficient but is grateful for the two years of support that allowed us to celebrate our 100th Anniversary in a spectacular way. We will, however, continue to remain financially self-sufficient without such funding.

FIGURE 7: FAIR ATTENDANCE

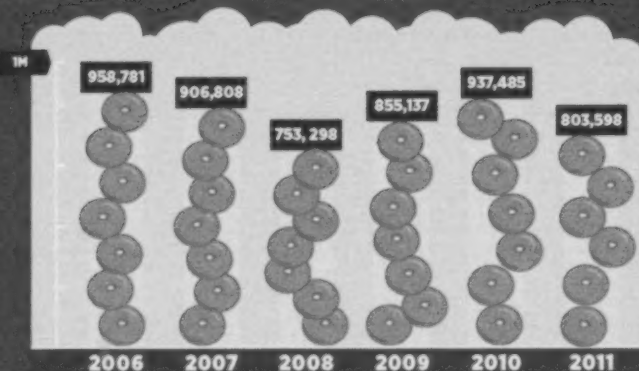
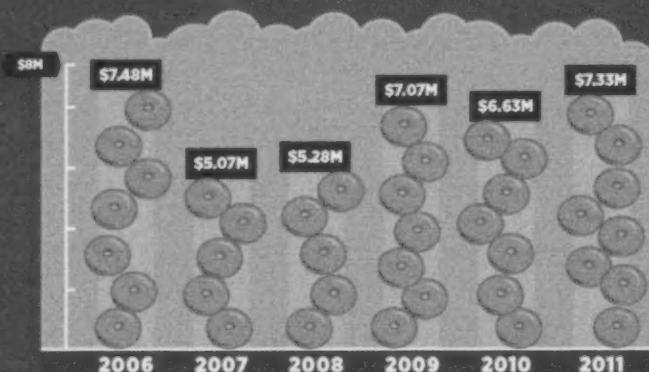


FIGURE 8: FAIR GROSS REVENUE



FIGURE 9: FAIR NET CONTRIBUTION



PNE Prize Home Lottery

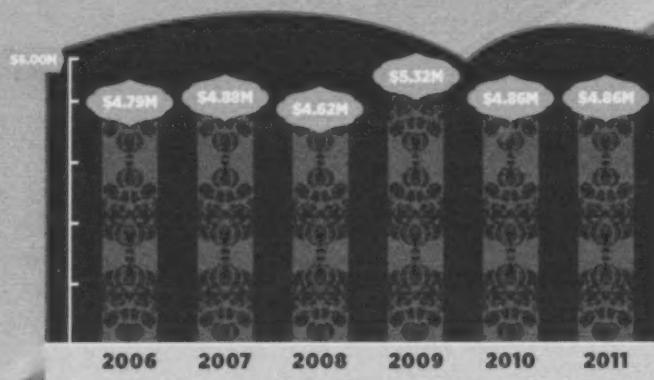
Win a House, Win a Car!

The 2011 Fair ushered in with it the 77th PNE Prize Home. This program is BC's most well-known and iconic lottery program... "the original and still the most affordable". More than 125,000 guests tour the home each year during the Fair, dreaming of making it their own and revelling in new design ideas and building trends. Highlights from the 2011 lottery program included:

- 12 amazing vehicles including two hybrids and several other energy-efficient models.
- Three early bird draws included \$5,000 in groceries from MarketPlace IGA, a 14-night BC Ferries vacation including accommodation and sightseeing activities, and an elite-class trip for two to Bali with seven nights of accommodation.
- A grand prize package included a 3,100-square-foot Craftsman-style home designed and built by Britco Structures on a beautiful lakeview lot in Kelowna with furniture by Lane Home Furnishings, energy-efficient and chef-inspired appliances and a natural gas fireplace compliments of Fortis BC, a \$10,000 tool package, outdoor living furniture and a BBQ from Home Depot, a hot tub from Coast Spas, \$2,500 in groceries from MarketPlace IGA home electronics, and one year of housekeeping services. The winner of the 2011 Prize Home was Darin MacDonald from Port Moody.
- A total prize value of \$1.55 million.
- 1,302,755 tickets sold, generating \$4.86 million in total revenue (see Figure 10 for a six-year revenue history).

Each year, revenues from the lottery program support a variety of community programs including the PNE's rich history of agricultural programming as well as other free multicultural and family programming.

FIGURE 10: PNE LOTTERY GROSS REVENUE



Year-Round Events

The PNE business is specialized, yet highly diversified. This diversity in our activity streams allows the company to withstand economic impacts and market shifts that may affect one or more aspects of the company while continuing to perform strongly overall. In 2011, total revenues from year-round events were \$13.66 million with a net contribution of \$4.73 million (see Figures 11 and 12 for a six-year revenue history). This is the story of year-round events for 2011.

THE STADIUM AT EMPIRE FIELD

2011 was the second and final season for the temporary stadium at Empire Field. In March, the PNE welcomed the Vancouver Whitecaps FC to Empire Field for their inaugural MLS season and throughout the year, we hosted 16 games as well as one "International Friendly" match against Manchester City FC.

Empire also welcomed the BC Lions back to the stadium for the first half of their 2011 season. In total, six Lions games were played before the Lions moved back into the newly renovated BC Place stadium to finish their season.

Once both teams moved back into BC Place in September 2011, deconstruction of Empire Stadium began in earnest. The stadium came down as quickly as it went up and, in December, it was handed back over to the City of Vancouver and Vancouver Park Board to redevelop the playing fields according to the approved Hastings Park Master Plan. The area is slated to be converted to community playing fields and a plateau sports park. There will be several legacy items from the stadium donated to this development including artificial turf and lighting. The City of Vancouver is managing this redevelopment process and the fields are currently scheduled to reopen in 2013.

SPORTING EVENTS

The PNE hosts a diverse range of sporting events on-site representing a broad range of interests throughout the community. We are proud that the Vancouver Giants Junior Hockey team has called the Pacific Coliseum home now for more than a decade. From junior hockey to community ice time, Little League practice to the annual Terry Fox Run, the PNE is a key location for amateur sport in BC. Highlights of sporting activities held at the PNE throughout 2011 include:

- The Vancouver Giants Junior Hockey franchise played 36 regular season games and two playoff games at the Pacific Coliseum with a total attendance of 185,427.

FIGURE 11: FACILITY SALES GROSS REVENUE

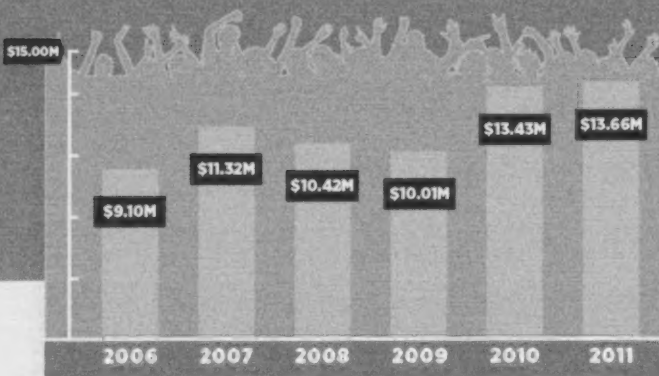
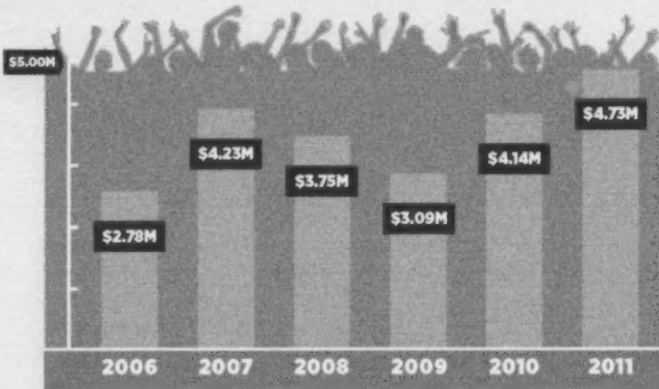


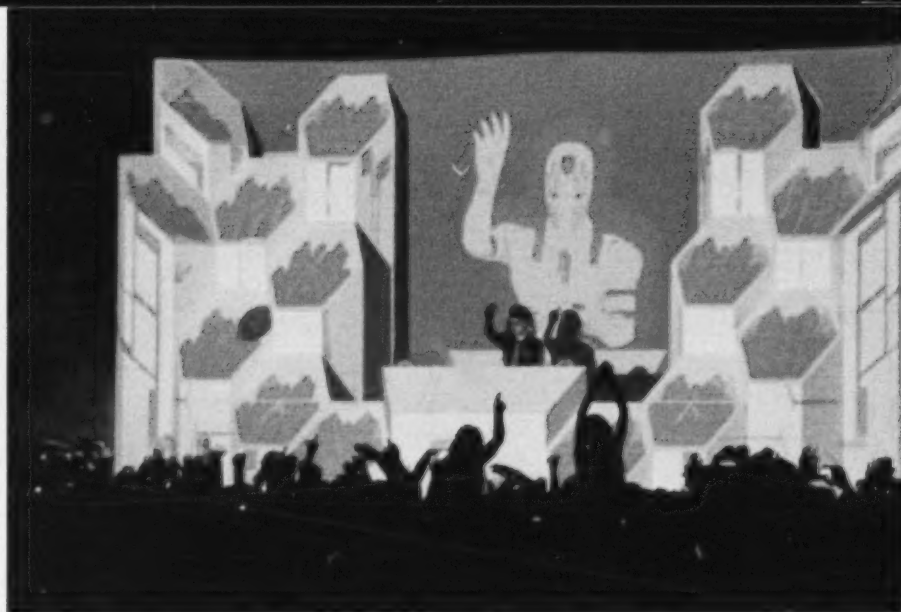
FIGURE 12: FACILITY SALES NET CONTRIBUTION



- The PNE hosted more than 1,400 students from nine local schools in the surrounding community to participate in the annual Terry Fox Run.
- The Oldtimers' Hockey Challenge is an annual charity event that continues to be a favourite at the Pacific Coliseum for fans young and old.
- 17 sporting clubs were hosted on-site including minor hockey, adult hockey groups and figure skating clubs, which accounted for 829 hours of community ice time. This is fewer hours than in 2010, as post-Olympic ice time in other venues around the Lower Mainland freed up.
- We provided Hastings Little League with indoor practice space through the winter months as well as fundraising support for diamond upgrades required for them to host the 2016 national Little League championships.
- We hosted a community initiative called the Senior Bowl Scrimmage football game in March at Empire Field.

CONCERTS

The PNE and music are synonymous. From the first Canadian concerts by Elvis and the Beatles to the dance hall days of the Garden Auditorium, music and concerts have always played a role in entertaining guests on-site. Some of Vancouver's biggest shows have come through the Pacific Coliseum and, although the city now has alternate venues downtown, music still plays a central role in the PNE's business. 2011 was a significant



year for music at the PNE and we are proud to continue showcasing mainstream artists, as well as many newer artists and genres of music.

For example, electronic dance music reached maturity in 2011 and arrived, fully formed with its own stars and infrastructure. The PNE witnessed an incredible spike in this genre over the previous year and the fans supported shows with great enthusiasm. The Forum hosted two sold-out Skrillex shows, two sold-out deadmau5 shows, and rounded out the year with great performances by Steve Aoki, Bassnectar and Flux Pavilion. Two world-famous deejays performed at the Pacific Coliseum, Armin van Buuren from the Netherlands in May and Tiësto brought in the New Year.

The year finished in the Pacific Coliseum with a visit from Pearl Jam celebrating their PJ20 Tour, LMFAO entertaining all ages, and Grammy award-winning country/pop sweethearts Lady Antebellum singing heart-filled ballads to crowds.

There were a number of additional highlights from the PNE concert business in 2011:

- 25 concerts came through PNE venues in 2011. This was nine more than in 2010, or a 56% increase over last year.
- In total, 115,553 guests attended concerts at PNE venues, an increase of 63% from

the 71,085 guests who attended concerts in 2010.

- Management continued to build new promoter relationships and remained focused on showcasing newer genres and artists.

CULTURAL & FAMILY EVENTS

The PNE hosts a dynamic range of events throughout the year. Cultural and community gatherings are an important part of this event mix. In 2011, the PNE welcomed the Ismaili Festival, the Nisga'a Festival and hosted celebrations for the 50th Anniversary celebration of the Willingdon Church in the Pacific Coliseum. Other 2011 highlights included:

- A family-favourite ice-skating tradition returned to the Coliseum with Disney on Ice: Disney Pixar's *Toy Story 3* drew 35,060 guests who enjoyed eight performances in November.
- Disney's *Phineas and Ferb* live theatre show was a new addition in 2011 and 4,500 guests enjoyed five performances of this more intimate children's show.
- CircusWest performed their annual show, *Journey to Lost Lagoon*, in the Garden Auditorium in May.





TRADE AND CONSUMER SHOWS

In 2010, the PNE adjusted our on-site trade show strategy to better utilize venues and generate additional trade show business. We experienced a healthy increase in trade shows by hosting the Snow Show, Tattoo Show, Pet Expo, Gift Expo and Puma Retail sale in the Forum. The annual Lordco show expanded to include the Agrodome, in addition to the Pacific Coliseum, and we welcomed Gordon Food Services to the Pacific Coliseum once again this year.

FILM ACTIVITY

2011 continued to be a strong year for film on the PNE grounds. While the total number of productions was down from 2010, the shoots filmed over a longer period of time for a total of 13 productions, comprising 249 film days. Highlights included the feature film *A Fairly Christmas Movie*, and a number of TV series including *The Secret Circle*, *Alcatraz* and *Fringe*. PNE facilities used for film activity in 2010 included the Forum, Agrodome, Rollerland, the Livestock Barns, Playland, parking lots, centre grounds, the skate park and, occasionally, other areas of the outside grounds. The PNE sales team continues to build strong relationships in the film industry to ensure that the organization is well positioned and can capitalize on increased market activity.

GROUP AND SPECIAL EVENTS

One of the long-term strategies for the sales department is to bring large corporate events to the site. For example, the Forum was completely transformed to facilitate two fantastic corporate events held by Rogers and Max West Marketing for their respective staff and suppliers. In addition to the VIP group sales initiatives reported on in the Playland section, this strategy also resulted in the PNE being chosen as the site to host the 2011 International Brotherhood of Electrical Workers (IBEW) Convention.

On September 16, 2011, the PNE hosted the opening celebration event for the 36th Annual IBEW Convention. More than 4,000 conference delegates enjoyed a unique outdoor picnic experience offering a taste of foods from around the world and live entertainment by the IBEW's Got Talent competition and special guest Danny Gokey. The event also included a private evening concert in the Pacific Coliseum starring the Wailin' Jennys and Bruce Hornsby. This event has positioned the PNE in the market for similar types of events with Tourism Vancouver and future incoming convention social events.

Finally, with the mix of facilities available, the PNE also keeps the site busy with less high-profile activities, such as the national Certified Financial Analyst (CFA) exams, corporate Christmas parties, local fundraisers, reunions or meetings, and the very important WorkSafeBC's Day of Mourning ceremony. The PNE really is a year-round hub of activity that is important and relevant to our communities.

Park and Facility Maintenance

For 101 years, the PNE has proudly served as the primary steward of 115 acres of Hastings Park.

This includes maintaining the facilities, gardens, trees, statues, benches, park equipment and the landscaped public park areas throughout the grounds. Year-round care of these grounds and facilities is a regular budgeted operational expense. In fact, the PNE invests several million dollars annually to ensure the park remains well maintained for the community to enjoy year-round.

In 2011, the PNE invested \$3.04 million in park and facility maintenance. Highlights of 2011 facility initiatives include:

- The installation of a new lifeline for fall protection at the Pacific Coliseum.
- LED exterior perimeter lighting were installed on the Agrodome.

- A team of full-time gardeners are employed year-round to build, care for and maintain all outdoor and park spaces.
- We stripped and reseeded the hill at the entrance of the PNE Amphitheatre to make a meadow-style area for guests to enjoy.
- The median island between the PNE Amphitheatre and Celebration Plaza was reclaimed to increase use.
- Reusing plants from Empire stadium by planting them throughout the Hastings Park site.
- We replaced annuals with perennials where feasible.

Highlights of outdoor grounds initiatives include:

- Italian Gardens, Momiji Garden and the Sanctuary remain in their vibrant and naturally intended states by using specially trained horticultural teams on staff in consultation with the City of Vancouver, Vancouver Park Board and the Vancouver Japanese Garden Association.
- Ongoing and careful pruning in the Sanctuary is done to improve sightlines and provide a more welcoming feel.

The PNE remains committed to the park's protection and enhancement, to celebrating the park and to making it an open, accessible space for the public to enjoy. We continue to take steps to reduce real and perceived barriers to public enjoyment of the park and improve public access. We welcome the proposed enhancements in the Master Plan to ensure its long-term sustainability while also meeting the needs of millions of annual guests who come to celebrate at PNE events.



Commitment to Sustainability



In previous years, we have reported on many new and ongoing initiatives related to our sustainability efforts. The PNE continues to strive to improve our performance and achieve sustainability in all aspects of our business. Highlights from 2011 included:

- A baseline waste audit was performed and year-round operations achieved 43% waste diversion. Plans continue to increase this percentage through new initiatives in 2012.
- We composted nearly seven tonnes of pre-consumer waste at the Fair.
- The PNE is changing to energy-efficient lights in all buildings and is continuing the installation of water-saving faucets and toilets in all buildings.
- We purchased new equipment for light bulb recycling.

- The Exhibit Space team is researching an environmental deposit for exhibitors and concessionaires to ensure they meet environmental standards.
- A new Sustainability Captain has been appointed to take baseline readings, research next steps and make recommendations to the executive about sustainable programs and investments.

CORPORATE INITIATIVES

Additional sustainability initiatives introduced or continued through 2011 include:

- A hybrid is used for the PNE's promotional vehicle, which represents the organization at events throughout the Lower Mainland.
- Marketing collateral is printed on recycled paper, and recyclable styrene paper product is used for the retail ticketing program, rather than PVC plastic.

- We are moving toward more web-based and email marketing initiatives to reduce paper use.
- Direct deposit and e-post are used for payroll. Human Resources also focuses on online recruitment.
- We donate old work uniforms to charitable organizations such as DeBrand or reuse them internally.
- We encourage suppliers to provide environmentally preferred "green", recycled and energy-efficient products wherever possible.
- More trees and natural elements are used in ride and landscape theming throughout the site.

YEAR-ROUND EVENT MANAGEMENT INITIATIVES

The following efforts have been undertaken to make our events more environmentally friendly:

- We introduced a beer cup recycling program into the Pacific Coliseum and Empire Field for all events.
- A blue bag recycling program for concessionaires and exhibitors remains in place during the Fair to encourage the recycling of bottles, cans, plastics and cardboard. The PNE provides the bags, as well as the collection service for all exhibitors.
- The food and beverage department uses environmentally friendly cleaning products and continues to upgrade to low-energy fixtures and energy-efficient appliances.
- The PNE regularly promotes the use of public transportation to get to and from the site, and works with TransLink to increase levels of public transportation to the site during high-volume events such as the annual summer Fair.



- The PNE Prize Home showcases energy-efficient, sustainable features such as natural gas appliances, energy-efficient windows and solar thermal panels.
- During events, agricultural event dirt is reused, shavings are purchased in bulk and manure is composted. We have also developed an on-site partnership with Compost Canada to educate the public about composting.
- We also work with agricultural partners to promote local and organic foods where appropriate.

FACILITIES INITIATIVES

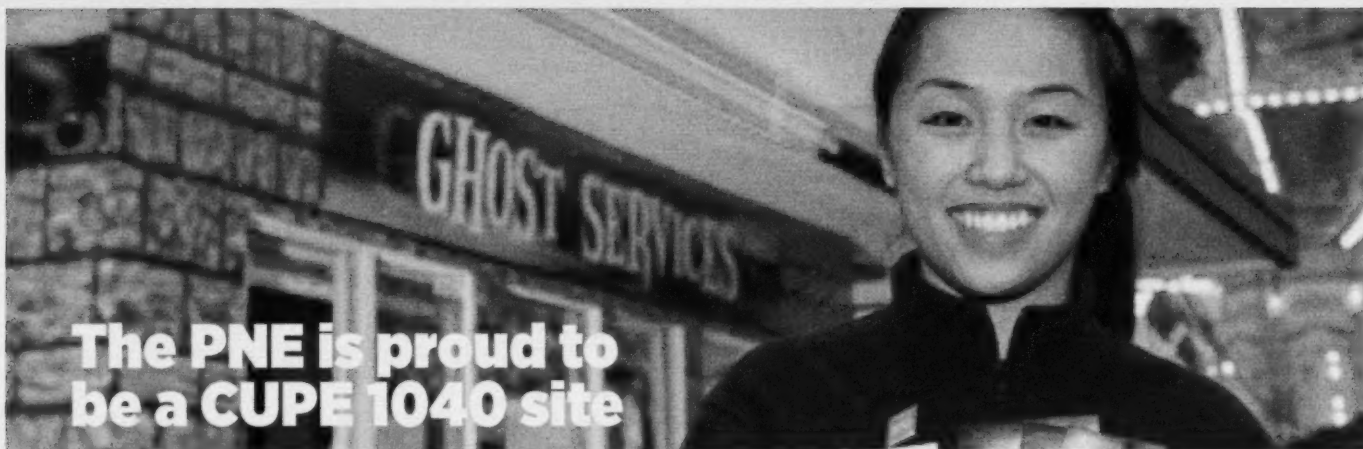
The technical services department remains focused on ensuring that facilities throughout the grounds continue to receive sustainable and energy-efficient upgrades. Progress in this area includes:

- The PNE will be continuing waste audits.
- Installation of low-flush toilets and urinals, as well as low-water-use faucets and high-efficiency lighting in all washrooms throughout the grounds.

- The Agrodome was upgraded with exterior LED lighting.
- Proper disposal and recycling of batteries, motor oil and containers, hydraulic oils, antifreeze, oil filters, containers and absorbents, aerosol cans, paint, wood, glass, vehicle tires, drywall, concrete and blacktop, steel, aluminum and copper.
- We compost leaves, grass clippings and tree trimmings.
- The technical services team uses electric, propane or natural gas vehicles where possible (Zoom Booms, scissor lifts, scrubbers, Zambonis, forklifts, electric ice edgers, electric golf carts, etc.) and remains committed to exploring the conversion of other fleet vehicles.

The PNE is proud of its progress and encourages suppliers, partners, sponsors and staff to continue to bring ideas forward. We understand there is more work to be done and remain committed to making sustainability progress.





Celebrating Team and Success

We opened this annual report with a salute to staff. This is particularly fitting since it is our people who make this organization so amazing, who make all the great events happen, who care for and maintain this park and its facilities. Thousands of people continue to work tirelessly each year behind the scenes to build this iconic organization, and their stories are as rich as the history of this great institution.

Through a variety of programs, the PNE remains committed to providing health and wellness opportunities for staff. Initiatives include a staff-run social club as well as a company-funded health and wellness committee. Program types vary from year to year depending on staff feedback, but include year-round access to an on-site fitness centre and health improvement programs such as smoking cessation programs, access to Weight Watchers on-site, and weekly yoga and Pilates classes. These programs are made available either free or at a reduced rate for employees.

In 2010, the PNE also launched a new PNE Youth Council dedicated to providing leadership opportunities for community-minded students between the ages of 16 and 18 from throughout the Lower Mainland. 2011 was the second year of this program. Students on the council received presentations from senior management on a variety of business topics, attended events and were actively involved in learning and sharing ideas about various aspects of the PNE business.

Staff recognition is also a cornerstone of PNE programs. In 2011, we continued the Spotlight Program for all PNE employees—both bargaining unit and excluded—allowing managers to recognize employees on the spot for their hard work. We also introduced a new program for seasonal and Fair-time team members called Impress Our Guests. This program was based on the PNE's mission and values, and allows managers to recognize behaviours that enhance the guest experience both on the front line and behind the scenes. Winners are drawn weekly during Playland season and daily during the Fair. Recognized staff are awarded a \$100 Visa gift card.

Throughout the year, the PNE proudly employed 4,000 different staff, filling 435 full-time equivalent jobs. In total, the PNE hired 1,407 Fair-time employees, 2,894 part-time employees and seasonal staff (including Playland), 192 full-time employees, and finished the year off with a team of 54 full-time management employees. More than 2,000 of these employees were youth, continuing to make the PNE the largest employer of youth in BC. The PNE is proud to be a Canadian Union of Public Employees (CUPE) 1040 union site and works closely with additional unions on-site, such as the International Union of Operating Engineers (IUOE) Local 882 and the International Alliance of Theatrical and Stage Employees (IATSE).

**More than
50% of the
employees
who work at
the PNE live
in the city of
Vancouver.**

And it is through the hard work of this PNE team that the organization continues to be recognized across industries as a leader in so many aspects of the business. 2011 was no different, and the following is a summary of industry awards received by the PNE this past year:

AWARDING ORGANIZATION	PROJECT/CAMPAIGN	AWARD
BC Chapter of the American Marketing Association (BCAMA) Marketer of the Year Award	"100 Years of Fun" centennial integrated marketing campaign promoting The Fair at the PNE	Winner
Newspapers Canada Extra Awards	Playland's 2011 print campaign "Air Horn"	Bronze
International Association of Amusement Parks and Attractions (IAAPA) Brass Ring Awards for Marketing Excellence	Television Commercial: Playland 2011	Winner
IAPHC: The Graphic Professionals Resource Network - 2010 International Gallery Awards	PNE Wrapping Paper	Silver
International Festivals and Events Association (IFEA) - Pinnacle Awards	PLAYLAND 2011:	
	Best Radio Promotion: 2011 Playland radio spot	Gold
	THE 2010 FAIR:	
	Best Outdoor Billboard: 100th Anniversary outdoor banner	Bronze
	Best Street Banner: 100th Anniversary street banners	Bronze
	Best Event (within an existing festival): 100th Anniversary opening weekend downtown parade	Bronze
	Best Children's Programming: Discovery Farm	Silver
	Best T-Shirt Design: T-Shirt with Fair Scene	Silver
	Best Other Merchandise: <i>100 Years of Fun</i> book	Gold
	Best New Merchandise: 100th Anniversary Cup	Silver
Independent Publisher Book Awards (IPPY)	<i>100 Years of Fun</i> Best Regional Non-Fiction, Canada-West	Silver
London International Advertising Awards	Radio: Playland "Revelation" 30-second spot	Silver
	Radio: Playland "Hellevator" 30-second spot	Silver
	Radio: Playland campaign series "Hellevator/Rollercoaster/Revelation"	Finalist
Lotus Awards	Best Print Campaign: "Atmosfear"	Lotus Award
	Best Photography: "Atmosfear" print/outdoor	Lotus Award
WestJet, as voted by the public	Fun'n Festival Series - The Fair at PNE	Top Festival in BC 2011

In September 2011, the BC Chapter of the American Marketing Association announced that after six months and three phases of evaluation, the PNE had been awarded their most prestigious provincial award: **Marketer of the Year**. Based on the stellar work done by the organization throughout its 100th Anniversary year in 2010, the award was presented to the PNE at The Westin Bayshore, Vancouver at a dinner gala in October with more than 400 marketing professionals in attendance.



Community Investments

As discussed earlier, the PNE understands that celebrations and events may bring both positive and negative impacts to the surrounding neighbourhood and remains committed to minimizing those impacts and supporting our local community. The PNE continues to be very proud of the role it plays in this regard and continues to develop and implement award-winning outreach programs. Highlights of the PNE's community initiatives in 2011 include the following:

- The KC's Kids ticket donation program awarded 104 organizations with 770 Playland tickets, 1,084 Fair tickets, and 438 Fright Nights tickets. This is a 22% increase in the number of organizations over 2010.
- In addition to KC's Kids, another 1,800 tickets were donated to 410 different organizations in support of their fundraising events in 2011. This is a 20% increase over 2010. Recipients of this ticket donation program included Variety—The Children's Charity of BC, Big Brothers Big Sisters of Canada, Multiple Sclerosis Society of Canada and Pacific Assistance Dogs Society (PADS).
- Our Neighbourhood School and Community Outreach program supports fundraising efforts as well as leadership reward or prizing programs. 15 local schools and six local organizations participated, and more than 2,450 tickets were provided to groups such as the Hastings North Business Improvement Association, Hastings Sunrise Community Policing and Kiwassa Neighbourhood House.
- Through the Neighbourhood Ticket Program, the PNE provided more than 12,000 complimentary tickets to local households to thank neighbours for their ongoing support. This is a 33% increase in uptake over 2010.

- To help minimize impacts, two very important PNE programs are the Neighbourhood Clean-Up crew and the Neighbourhood Bike Patrol. These teams patrol the streets around the PNE grounds during various events, including the Playland season, the Fair at the PNE, and Fright Nights, picking up garbage and providing a presence for community safety. The clean-up crew helps clean up the community twice a day for all 17 days during the Fair, for all 18 days during Fright Nights and after every weekend of the Playland season (adding an extra mid-week clean when Playland is open full time).
- Numerous non-profit associations are provided with messaging through the Charity Readerboard Message Program. In 2011, 10 different organizations benefited from complimentary space on the electronic readerboard at the corner of Hastings and Renfrew Streets to help these organizations raise awareness of important causes. Groups included the Terry Fox Foundation, Vancouver Poppy Fund and Reel 2 Real.
- We continue to support Hastings Community Little League with a place to practice in the off season and Playland Passes for 450 players at their season opening ceremonies. Plans are being prepared for new ways to help support this vital community program in 2012 and beyond.
- As a replacement for the long-standing report card program, all children 13 and under now receive free admission to the Fair.
- The PNE continued to provide options for residents in the Hastings-Sunrise area, with access to paths for jogging and other regular park activities during the 17 days of the Fair.
- We also provide subsidized facility rentals, ticket donations, operational support and ice time to numerous non-profit and community groups.
- Every year, we host an annual charity auction in support of the BC Youth in Agriculture Foundation. In 2011, more than \$35,750 was generated for this key charity that represents the roots that the PNE was founded on, showcasing the best of BC agriculture to the world.
- We hosted the 40th annual CKNW Orphans' Fund picnic in Playland, an annual event that brings underprivileged children to the park for their own private day of fun, food and rides.
- Staff regularly participate in Jeans Day monthly to support local charities such as the BC Professional Fire Fighters' Association Burn Fund and BC Children's Hospital.
- Each year, the PNE proudly hosts Charity Days during the Fair, where management works with a number of partners to help raise funds on-site. This year, those partners included Construction, the Greater Vancouver Food Bank Society, The Vancouver Sun Raise-a-Reader and the Canada Safeway Foundation.

The PNE remains committed to its existing community outreach programs and is always looking for opportunities to increase reach and implement new and relevant programs for the future. And while the PNE itself is a non-profit registered charity, we continue to take great pride in generously giving back to other local organizations doing work to support our shared communities. In 2011, approximately \$60,000 was raised for charity directly through PNE initiatives. The PNE is proud to play a role in supporting those organizations doing such great work.

Looking Ahead

The PNE remains committed to the redevelopment of Hastings Park, to working with the local community to minimize impacts and to providing opportunities to gather, cheer and celebrate throughout the year. As we have been for 101 years, we will remain at the heart of Hastings Park, honouring its history and building its future. We welcome you to come experience and enjoy this unique urban park and its transformation in the years to come.



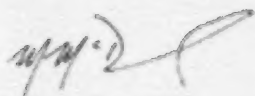


FINANCIAL REPORTS

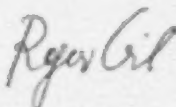
REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The *Pacific National Exhibition Incorporation Act* requires the PNE to table an annual report containing information about the organization's performance. PNE management prepares the following financial statements and related information and is responsible for their integrity. The statements were prepared using Canadian Generally Accepted Accounting Principles. The statements include amounts based on management's estimates and judgments. We believe that these statements fairly represent the PNE's current financial position. Management is also responsible for the accuracy and completeness of the information presented in the PNE's annual report. To fulfill this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance the information is accurate and complete.

PNE officials who have provided the information contained in the 2011 annual report have verified its completeness and accuracy. Our independent auditors, KPMG LLP, have audited the financial statements using Canadian Generally Accepted Auditing Standards, to the extent necessary to form an independent opinion on the financial statements prepared by management.



Michael McDaniel
President and Chief Executive Officer



Roger Gil
Vice President, Finance and Corporate Services



CORPORATE GOVERNANCE

2011 BOARD OF DIRECTORS

Chair: Mr. Raymond Louie—Councillor, City of Vancouver

Vice Chair: Mr. Malcolm Bromley—General Manager, Vancouver Park Board

Treasurer: Ms. Patrice Impey—General Manager, Financial Services,
City of Vancouver

Directors:

Ms. Sarah Blyth—Vancouver Park Board Commissioner

Ms. Cheryl Carline—CEO, Greater Vancouver Food Bank Society

Mr. Sadhu Johnston—Deputy City Manager, City of Vancouver

Mr. Peter Legge—President and CEO, Canada Wide Media Ltd.

Mr. David McLellan—General Manager, Community Services,
City of Vancouver

Mr. Richard Saunders—Workers' Advocate & Labourers'
Membership Services, Construction & Specialized Workers'
Union Local 1611

Mr. Paul Sihota—City of Vancouver Fire and Rescue

Ms. Nancy Wright—Vice President, Marketing, GLOBE Foundation

EXECUTIVE MANAGEMENT COMMITTEE

President and Chief Executive Officer: Mr. Michael McDaniel

Vice President, Operations: Mr. Jeff Strickland

Vice President, Marketing: Ms. Shelley Frost

**Vice President, Finance and
Corporate Services:** Mr. Roger Gil

Vice President, Sales: Mr. Peter Male

Vice President, Human Resources: Ms. Stacy Shields

**Executive Assistant and
Corporate Secretary:** Ms. Salome Valente

CORPORATE GOVERNANCE PRACTICES

The Pacific National Exhibition is a non-profit registered charity owned by the City of Vancouver. The company's business affairs are the responsibility of the Board of Directors, a City Council-appointed body. The PNE's Board of Directors is committed to ensuring corporate governance practices are open and effective and that the Board is fully accountable and assumes responsibility for the stewardship of the organization. The Board discharges responsibility of day-to-day operations to the President and Chief Executive Officer, who in turn selects and oversees the rest of the management team. The Board encourages management, under the direction of the President and Chief Executive Officer, to make clear and appropriate executive decisions.

2011 AUDITOR

KPMG LLP, Chartered Accountants
Metrotower II
Suite 2400, 4720 Kingsway
Burnaby, BC Canada V5H 4N2

Telephone: 604-527-3600

Fax: 604-527-3636

Web: www.kpmg.ca

AUDITORS' REPORT



KPMG LLP Chartered Accountants

Metrotower II, Suite 2400-4720 Kingsway
Burnaby, BC V5H 4N2 Canada

Telephone (604) 527-3600

Fax (604) 527-3636

Internet www.kpmg.ca

To the Board of Directors of the Pacific National Exhibition

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific National Exhibition, which comprise the statement of financial position as at March 31, 2012, the statements of operations and changes in net assets and cash flows for year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pacific National Exhibition as at March 31, 2012 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Pacific National Exhibition Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants
July 12, 2012
Burnaby, Canada

KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. KPMG Canada provides services to KPMG LLP.



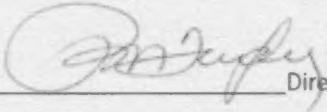
STATEMENT OF FINANCIAL POSITION

YEAR ENDED MARCH 31, 2012
WITH COMPARATIVE FIGURES FOR 2011

	2012	2011
ASSETS		
<u>Current</u>		
Cash	\$ -	\$ 347,523
Accounts Receivable	1,364,145	1,257,075
Inventories (Note 3)	699,663	1,027,458
Prepaid Expenses	1,287,883	953,317
	3,351,691	3,585,373
Property and equipment (Note 4)	14,964,124	14,850,421
	\$ 18,315,815	\$ 18,435,794
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Bank Indebtedness (Note 5)	\$ 6,878,295	\$ 1,968,281
Accounts Payable and accrued liabilities (Note 6)	4,387,846	3,048,722
Bank Loans (Note 5)	3,176,507	10,481,503
Deferred Revenue	910,477	486,253
Current portion of obligations under capital leases (Note 8)	360,274	364,145
	15,713,399	16,348,904
Deferred capital contributions (Note 7)	551,607	678,009
Obligations under capital leases (Note 8)	235,939	595,433
	16,500,945	17,622,346
<u>Net Assets</u>	1,814,870	813,448
Pension plan (Note 9)		
Commitments and contingencies (Note 10)		
	\$ 18,315,815	\$ 18,435,794

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors

 Director  Director

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

	Twelve months ended March 31, 2012	Fifteen months ended March 31, 2011
REVENUE:		
Events	\$ 50,139,549	\$ 52,785,631
Amortization of deferred capital contributions	126,402	136,654
Other	1,170,281	708,955
	51,436,232	53,631,240
EXPENSES:		
Cost of goods sold	3,881,085	4,258,262
General and administrative	21,249,350	22,465,596
Payroll	22,754,788	27,811,119
	47,885,223	54,534,977
EXCESS OF REVENUE OVER EXPENSES	3,551,009	(903,737)
OTHER EXPENSES:		
Amortization	2,192,225	1,984,935
Interest on bank loans	191,023	385,539
Interest on capital leases	166,339	210,324
	2,549,587	2,580,798
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,001,422	(3,484,535)
NET ASSETS, BEGINNING OF PERIOD	813,448	4,297,983
NET ASSETS, END OF PERIOD	\$ 1,814,870	\$ 813,448

See accompanying notes to financial statements.



STATEMENT OF CASH FLOWS

	Twelve months ended March 31, 2012	Fifteen months ended March 31, 2011
CASH PROVIDED BY (USED IN) OPERATIONS:		
OPERATIONS:		
Excess (deficiency) of revenue over expenses for the period	\$ 1,001,422	\$ (3,484,535)
Items not affecting cash:		
Amortization	2,192,225	1,984,935
Amortization of deferred contributions	(126,402)	(136,654)
Gain on disposal of equipment	598	-
Net change in non-cash working capital items	1,649,507	2,475,448
	4,717,350	839,194
FINANCING:		
Increase (decrease) in bank loans	(7,304,996)	3,368,503
Principal payments under capital leases	(363,365)	(1,720,763)
	(7,668,361)	1,647,740
INVESTMENTS:		
Proceeds on disposal of equipment	22,400	-
Purchase of property and equipment	(2,328,926)	(4,035,900)
	(2,306,526)	(4,035,900)
Decrease in cash	(5,257,537)	(1,548,966)
Cash, beginning of period	(1,620,758)	(71,792)
CASH, END OF PERIOD	(6,878,295)	\$ (1,620,758)
Cash is comprised of cash and bank indebtedness.		
Supplementary information:		
Interest paid	\$ 191,023	\$ 385,539

See accompanying notes to financial statements.



1. NATURE OF OPERATIONS:

Pacific National Exhibition ("PNE") is a premier entertainment destination in the province of British Columbia. It has four main activity streams: an annual 17-day fair, Playland amusement park, year-round facilities that are utilized to celebrate a variety of community, social, cultural, ethnic and commercial events, and the care and development of the park.

PNE was established in 1910 and incorporated in 1973 under the *Pacific National Exhibition Incorporation Act* of the Province of British Columbia.

The mission of PNE is to enrich the quality of life at Hastings Park, Vancouver, by providing family entertainment that invites its guests to celebrate Vancouver's heritage, culture and diverse communities in a vibrant urban park.

Effective January 1, 2004, PNE became wholly owned by the City of Vancouver and is an independently operated entity. As a result of its ownership and its registered charity status, PNE is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES:**(A) BASIS OF PRESENTATION:**

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(B) CHANGE OF FINANCIAL YEAR END:

During 2010, PNE changed its year end from December 31 to March 31. As such, the comparative period financial statements were prepared on a fifteen-month period basis.

(C) INVENTORIES:

Inventories, consisting of stores, plush toys, merchandise, and food and beverages, are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Cost of inventories includes acquisition and all costs incurred to deliver inventory to PNE's head office, including freight, non-refundable taxes, duties, and other landing costs.

PNE periodically reviews its inventories and makes provisions as necessary to appropriately value obsolete or damaged goods. The amount of the provision is equal to the difference between the cost of the inventories and its estimated net realizable value.



2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**(D) PROPERTY AND EQUIPMENT:**

Property and equipment are recorded at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

ASSET	BASIS	RATE
Machinery, furniture and equipment	Declining balance	10 – 30%
Playland rides and equipment	Straight-line	15 – 40 years
Playland rides under capital lease	Straight-line	15 – 40 years
Leasehold improvement	Straight-line	Term of lease

When the property and equipment no longer contributes to PNE's ability to provide services, its carrying amount is written down to its residual value.

(E) DEFERRED REVENUE:

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises deposits for events that are not recognized in revenue until the related event is held.

(F) REVENUE RECOGNITION:

Revenues from the annual fair (the "Fair") are recorded as received (admissions) and as earned (exhibitors and advertisers). The Fair runs from late August to early September. Any exhibitor or advertising fees received for next year's Fair are deferred and will not be recognized until earned during the next year's Fair.

Revenues from Playland amusement park are recognized as received (admissions) and as earned (advertisers).

Revenues from short-term event rental of facilities are recorded upon completion of the event.

Contributions from the City of Vancouver, from senior government, or from other donors are recorded following the deferral method. Contributions are recorded as receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recorded as revenue when they are deemed receivable. Contributions with a designated purpose are deferred until used for the intended purpose. Contributions to fund property or equipment acquisitions and improvements are deferred and recognized on the same basis as the related property or equipment is amortized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**(G) USE OF ESTIMATES:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses for the reporting period of the statement of operations. Areas involving significant estimation include contingencies and the useful life and amortization rates of property and equipment. Actual results could differ from those estimates.

(H) FINANCIAL INSTRUMENTS:

PNE accounts for its financial instruments in accordance the with Canadian Institute Chartered Accountants ("CICA") standards for the recognition, measurement, disclosure, and presentation of financial assets and liabilities.

Under these standards, financial instruments are classified into one of five categories: held for trading held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations; available-for-sale financial instruments are measured at fair value with changes in fair value recorded as changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations.

PNE has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with CICA Handbook Section 3861 as permitted for not-for-profit organizations.

The categories of PNE's financial assets and liabilities are as following:

- (i) Designated cash and foreign currency hedge instrument (note 11(a)) as held for trading, being measured at fair value.
- (ii) Amounts receivable are classified as loans and receivables, being measured at amortized cost which approximate fair value.
- (iii) Bank indebtedness, accounts payable and accrued liabilities and bank loans are classified as other financial liabilities, being measured at amortized cost.



2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(I) CHANGES IN ACCOUNTING STANDARDS:

Effective April 1, 2012, PNE will transition to a new accounting framework, Public Sector Accounting Standards. The transition to the new framework will be applied on a retroactive basis. PNE is reviewing the impact of these standards on the financial statements.

3. INVENTORIES:

	2012	2011
Stores	\$ 258,602	\$ 273,615
Plush toys	128,416	182,122
Merchandise	87,595	136,089
Food and beverages	225,050	435,632
	\$ 669,663	\$ 1,027,458

The amount of inventory recognized as an expense during the period is \$3,881,085 (2011 - \$4,258,262).

4. PROPERTY AND EQUIPMENT:

			2012	2011
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Machinery, furniture and equipment	\$ 13,615,209	\$ 7,608,155	\$ 6,007,054	\$ 7,158,778
Playland rides and equipment	16,421,851	9,230,852	7,190,999	4,927,555
Playland rides under capital leases	1,246,191	180,486	1,065,705	1,365,081
Work in progress	700,366	-	700,366	1,399,007
	\$ 31,983,617	\$ 17,019,493	\$ 14,964,124	\$ 14,850,421

5. BANK INDEBTEDNESS AND BANK LOANS:

PNE has a revolving facility with a Canadian chartered bank providing for maximum borrowing of \$16.4 million in operating credit and \$5 million for instalment loan for capital purchases.

The facilities bear interest at the bank prime rate and are due on demand. A general security agreement covering all assets and undertakings of PNE has been provided as collateral for the operating line as well as a guarantee and postponement of claim by the City of Vancouver. In addition, the guarantee by the City of Vancouver includes letters of guarantee outstanding totalling \$160,000 (2011 - \$60,000).

Included in the bank loans is an amount of nil denominated in US dollars (2011 - \$1,270,000). The interest due on this loan is payable in US dollars.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	2012	2011
Accounts payable	\$ 2,991,102	\$ 1,900,245
Payroll liability	1,229,268	1,021,451
Sales and other taxes payable	167,476	127,026
Balance, end of year	\$ 4,387,846	\$ 3,048,722

7. DEFERRED CAPITAL CONTRIBUTIONS:

	2012	2011
Balance, beginning of year	\$ 678,009	\$ 814,663
Less amounts amortized to revenue	(126,402)	(136,654)
Balance, end of year	\$ 551,607	\$ 678,009

8. OBLIGATIONS UNDER CAPITAL LEASES:

The future minimum lease payments under capital leases are as follows:

2013	\$	380,629
2014		216,243
2015		23,468
		620,340
Less amount representing interest		(24,127)
		596,213
Principal obligation		
Less current portion		(360,274)
	\$	235,939

Interest rates on capital leases range from 4.40% - 7.00% annually.

The capital leases provide that at the end of the respective lease terms, PNE is required to either extend the term of the lease, purchase the asset based on a pre-determined option price, or return the asset to the lessor and pay the lessor any shortfall between the fair value of the asset upon return and the pre-determined residual value.

The above lease schedule of lease payments assumes that the purchase options are exercised at the end of the lease term.

9. PENSION PLAN:

The municipality and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation for the Municipal Pension Plan as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits.

The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. Contributions to the Plan in fiscal 2012 are comprised of:

	2012	2011
Employee portion	\$ 777,780	\$ 843,401
Employer portion	811,639	875,489
	\$ 1,589,419	\$ 1,718,890

10. COMMITMENTS AND CONTINGENCIES:

- (a) Various lawsuits and claims are pending by and against the PNE. The ultimate result of these claims is undeterminable and it is the opinion of management that final determination of these claims will not materially affect the financial position of the PNE. Estimates of costs anticipated to result from claims are accrued where the amount can be reasonably estimated.

Any differences from the estimates or any losses on claims that cannot be estimated will be recorded in the year the settlements occur.

- (b) PNE has entered into construction agreements for 2012 in the amount of \$203,000 USD (2011 - \$430,000).
- (c) PNE has entered into an agreement for the purchase of a new ride in the amount of \$148,272 (2011 - \$960,257)

11. RELATED PARTY TRANSACTIONS:

During the year, the PNE paid the following amounts to the City of Vancouver.

	2012	2011
Water billings	\$ 303,724	\$ 145,182
Policing services	485,209	595,152
Permits and other	53,825	43,597
	\$ 842,758	\$ 783,931

These transactions are in the normal course of operations and are measured at the exchange value, being the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is \$256,641 (2011 - \$76,196) due from the City of Vancouver. Included in accounts payable is \$27,985 due to the City of Vancouver (2011 - \$20,717).

PNE operates on land owned by the City of Vancouver, for which no rent is charged. In lieu of rent, PNE is required to maintain and upkeep the land.

12. FINANCIAL INSTRUMENTS:

Financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, bank loans and foreign currency hedge instrument. It is management's opinion that PNE is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

The fair value of accounts receivable, bank indebtedness, accounts payable and accrued liabilities and bank loans all approximate their carrying value due to their relatively short maturities.

Foreign exchange risk:

Foreign exchange risk is the risk to PNE's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of those rates.

PNE has entered into a foreign currency hedge instrument for the purchase of US dollars at \$60,000 per week for 26 weeks ending August 3, 2012.

13. CAPITAL DISCLOSURES:

PNE receives its principal source of capital through event revenue. PNE defines capital to be net assets. PNE is not subject to any other external capital requirements or restrictions.



Pacific National Exhibition

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pne.ca